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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 001327

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SUBJECT: DIRECTOR'S INTRODUCTORY MEETING WITH DPP CHAIRMAN
YU SHYI-KUN, APRIL 13, 2006

Classified By: AIT Director Stephen M. Young, Reasons: 1.4 (b/d)

¶1. (C) Summary: Director Young stressed the importance of maintaining the cross-Strait status quo and not crossing red lines on constitutional change during his April 13 introductory meeting with DPP Chairman Yu Shyi-kun. Saying that he fully understood the U.S. position, Yu assured the Director that current constitutional reforms will deal with human rights and government structure but not sensitive sovereignty issues. The Director expressed hope that Taiwan's political parties will work together on basic issues such as defense. Yu raised Lien Chan's trip to China, the "high protocol" treatment Ma Ying-jeou received in the U.S. despite lack of progress on arms procurement, and (briefly) the need for an FTA with the U.S. to counter potential PRC economic leverage over Taiwan. End Summary.

¶2. (C) During an introductory meeting on April 13 with Democratic Progressive Party (DPP) Chairman Yu Shyi-kun, Director Young stressed the significance of Taiwan's democratic development over the past 30 years. However, he pointed out, the effectiveness of the political process needs to be improved. The different political parties must find a better way to work together to achieve consensus on issues of basic importance, such as defense. Yu agreed on the importance of defense, saying that Taiwan needs a strong defense to protect its democracy.

¶3. (C) Yu expressed hope that the upcoming meeting between Kuomintang (KMT) Honorary Chairman Lien Chan and PRC President Hu Jintao will clarify the issue of "one China, separate interpretations." The KMT believes the PRC and Taiwan reached a consensus in 1992 to accept this formula, while the DPP does not. "One China, separate interpretations" is a precondition for the interim cross-Strait modus vivendi proposed by KMT Chairman Ma Ying-jeou, according to Yu. The Director asked if Yu expected Lien to press Hu for clarification on "one China, separate interpretations." Yu responded that would depend on whether Lien is a "statesman" or a "political hack." According to Yu, Lien also has a responsibility to talk about democracy and international space for Taiwan and to express opposition to the PRC anti-secession law (ASL) and its missile deployments opposite Taiwan. (Comment: We're not going to hold our breath on Lien raising any of these issues.

End Comment.)

¶4. (C) The U.S. is not opposed to KMT dialogue with Beijing, the Director explained, but we emphasize that China should talk to Taiwan's elected leaders. Otherwise, China will try to divide Taiwan and "fish in troubled waters." Because China is a strong and dangerous adversary, it is important for the parties in Taiwan to agree on basic policy to protect Taiwan democracy, the Director stressed. Despite friendly gestures toward Taiwan business people, China has not given up the use of force and has increased its military threat against Taiwan.

¶5. (C) In response to the Director's question, Yu noted that Lien Chan still has some power within the KMT. Factions play an important role in the KMT, Yu observed, though they are not as open as in the DPP. As an example of factional competition in the KMT, Yu cited the recent election for KMT Youth Corps Director, in which Wang Jin-pyng's candidate Lin Yi-shih prevailed over Ma's candidate Chou Shou-hsun. The key factor in maintaining KMT unity is LY President Wang Jin-pyng, Yu suggested. Wang does not dare confront Ma now because he could be expelled from the KMT, which would cost him his seat as a party at-large representative. When questioned, Yu saw no possibility for Wang to serve as Ma's running mate in 2008, because Wang would not accept a position that carries no power. Wang would rather run for election as a district representative in the LY, expecting to retain his powerful Speaker position.

¶6. (C) Wang insisted the DPP is united on maintaining the cross-Straight status quo and on the issue of national identity: all in the party believe that Taiwan is a sovereign, independent country. Therefore, there is no need

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to declare independence. Despite unity on the status quo and national identity, there are differences within the DPP on strategy toward the PRC, Yu acknowledged, including the question of opening to the mainland. Yu also asserted that there are differences within the KMT on national identity, for example between Ma and Wang.

¶7. (C) The Director stressed the importance of maintaining the status quo in order to preserve cross-Straight peace and security. Maintaining the status quo means that the PRC does not attack Taiwan, and Taiwan does not take destabilizing actions. For Taiwan to declare independence or change sovereignty provisions of the constitution would cross red lines and alter the status quo, the Director pointed out.

¶8. (C) Yu said he fully understood this U.S. position and also the need for Taiwan to consult closely with the U.S. The U.S. is Taiwan's most important ally and plays the key role in Taiwan's security and maintaining peace in the Taiwan Strait and the region, Yu continued. Taiwan supports the expanded role of the U.S.-Japan alliance as reflected in the two-by-two statement and it is allied with the U.S. in terms of values, including human rights, democracy and peace.

¶9. (C) Because Taiwan is sovereign, it does not need to declare independence, Yu reiterated. The only need is to change names, and this is a topic that is being discussed by the people but not by the government. President Chen has said he will not change the provisions on sovereignty and territory in the process of constitutional reform. Yu said he understood that the U.S. only supports constitutional reforms that improve government effectiveness.

Constitutional reform, he explained, involves three topics: human rights, government structure, and sovereignty. Current constitutional reforms are dealing only with the first two issues, not sovereignty issues. The constitution, which was not drafted in Taiwan, is old and not progressive enough on human rights, Yu said. On government structure, Yu said he hoped to see a change from a five power to a three power system of government. He added that the DPP needs a debate

on whether to support a presidential or parliamentary structure of government.

¶10. (C) The cross-Straits status quo is dynamic rather than static, Yu suggested, arguing that the PRC is breaking the status quo by squeezing Taiwan's international space, not allowing Taiwan to participate in WHO, dumping products in Taiwan, passing the anti-secession law, and increasing missile deployments opposite Taiwan. If Taiwan does not react to such moves, Yu stated, the status quo will tilt further toward the PRC and away from Taiwan.

¶11. (C) The Director disagreed, stressing that the cross-Straits status quo is basically unchanged. The U.S. has stated publicly that PRC missile deployments are negative and has also criticized Russia's sale of advanced weapons to China. Taiwan needs to solve the arms procurement issue, the Director emphasized, a message he had also passed to KMT and People First Party leaders. The government's move to increase the defense budget is important in this respect. The U.S. supports Taiwan participation in WHO, but this will require patience and strategy, the Director noted. Although the number of Taiwan's diplomatic partners has shrunk, Taiwan's interaction in international society has expanded. U.S.-Taiwan relations have strengthened, as has the role of AIT. Taiwan should place less stress on the number of its formal diplomatic relationships, but instead emphasize the quality of relations it has with important countries and regions in the globalized world.

¶12. (C) In the past, Yu recalled, he had said that for Taiwan to have just ten diplomatic partners would be enough. However, he added, a reduction from 25 to 10 would open the ruling party to criticism by the opposition, and he wondered what the effect would be internationally.

13 (C) The Director urged Taiwan not to be pessimistic about its future because economic development is likely to lead to democratic change in China. If Taiwan develops its economy,

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democracy and role on the international stage, then it can wait for the PRC to change over the next ten or twenty years.

Yu acknowledged the point and noted that rising income levels in China could contribute to political change, as happened in Taiwan.

¶14. (C) Asked about DPP election prospects, Yu argued that the DPP did not lose the 2004 LY elections, although it failed to attain the high goals it had set. At the end of 2005, however, the DPP was soundly defeated in local elections because of corruption scandals, inadequate government performance, and lack of strong grass-roots organizations except in Chiayi and Kaohsiung Counties. For the upcoming Taipei and Kaohsiung mayoral races, Yu said that candidate registration will open May 1 and the party's primary will be held on May 28.

¶15. (C) According to Yu, the pan-Blue camp believes that the "high protocol" treatment accorded Ma Ying-jeou during his recent U.S. visit indicates that the U.S. does not care whether or not the arms procurement package is passed by the LY. Now, Ma has returned to Taiwan, and the KMT continues to boycott arms procurement in the LY. Yu also noted an article in which PRC economist Hu Angang stated that China no longer needs to use military force against Taiwan because it can use economic leverage, which will be effective within seven days.

Yu urged the U.S. to help Taiwan sign FTA's with the U.S. and other countries to address this problem. While cautioning that an FTA poses certain problems for the U.S., the Director said the upcoming TIFA talks provide a good opportunity for us to comprehensively review our trade relations.

¶16. (C) The Director said he did not want to criticize other political parties and noted that he was meeting with their

leaders to learn about the situation in Taiwan. The U.S. has made the clear the need for Taiwan's political leaders to work to solve the problem of strengthening Taiwan's self defense capability. On economic issues, the Director suggested, Taiwan needs to pay attention to the views of business leaders. The international community will not accept China using economic leverage against Taiwan, he observed, adding that the U.S. is pressing China to be a responsible stakeholder in the international community.

YOUNG